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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

New Delhi, the 31st March 1962

No. 22-Export(5)/62.—By a Resolution dated the 30th March, 1961, the Government of India in the Ministry of Commerce and Industry appointed a Committee under the chairmanship of Shri A. Ramaswami Mudaliar to enquire into the working of import trade control with particular reference to the procedures followed in formulation of import policy and methods followed in dealing with applications for import licences to the different categories of applications; the organisation of the existing machinery for import control; the questions relating to allocations for import of raw materials and capital goods with special reference to the requirements of the Third Five Year Plan; to review the efficacy of the existing export promotion measures and to make recommendations with regard to measures necessary to step up exports in the Third Five Year Plan period. The Committee submitted its report on the 5th March, 1962, which has already been published. The main conclusions and recommendations contained in the report and Government's decisions thereon are stated below.

2. The Committee has endorsed the objectives of import policy as defined in the following statement of the Minister of Commerce and Industry at the September 1961 session of the Import Advisory Council :

"The policy and procedure of Import Control has to be so regulated as to be in consonance with the main objectives and the strategy of the Plan itself. Import Control must serve as an instrument of industrial development; as a conservator of foreign exchange and as a vehicle of export promotion. It must strengthen the industrial base of the country, diversify the economic structure, and create conditions of a self-generating economy, so that the nation can go forward to the maximum extent possible on its own steam."

The Committee recognises that there can be no hard and fast dividing line between Maintenance and Development, both being closely inter-related. Government will bear in mind the Committee's observations in paragraphs 6 to 12 of its Report on Maintenance *versus* Development Imports.

3. The Committee has suggested that where exports can be really assured, there should be no hesitation in making available the necessary raw materials and balancing equipment. Within the framework of the Third Five Year Plan and subject to the available foreign exchange resources and other necessary safeguards, Government are prepared to entertain proposals for expansion of industrial capacity related to export targets and objectives and to provide assistance by way of advance allocation of foreign exchange to ensure that exports will take place. Government has been entertaining such proposals and will continue to do so. Government also recognise the vital role which agriculture, horticulture, fisheries and forestry can play in export promotion.

4. The Committee has recommended that all import licensing should in future be done on an annual basis and that should a more stringent policy become necessary for the second part of the licensing period, a general percentage reduction should be applied by one single public notice to all import licences. Government have carefully considered this recommendation. As the foreign exchange position continues to be difficult, and as a common percentage reduction for all imports would not permit of the available foreign exchange being utilised with due consideration for various items of priority, it would not be practicable to adopt annual licensing as envisaged by the Committee. Government have, however, decided that all applications for licences should hereafter be on an annual basis. The licences will, however, issue on an annual basis to the extent possible, and for the rest half yearly licences will issue. Government expect however that a substantial portion of the total licensing will be on an annual basis where annual licences are issued, these will be subject to the following conditions :—

- (i) only 50% of the face value of the licence can be utilised in the first half of the year; and
- (ii) the balance of the value will be utilisable only upon endorsement of the licence by the licensing authority with such change in value and other conditions as Government may decide.

5. The following recommendations of the Committee in regard to certain other procedural matters have all been accepted by the Government :—

- (i) The initial validity should be one year in the case of Actual Users and Established Importers' licences and two years for CG/HEP licences except CG/HEP licences issued against tied credits.
- (ii) Except in the case of licences issued against tied credits, the power of revalidation should be delegated to the regional licensing authorities.
- (iii) Normally, the validity of Established Importers' licences should not be extended, but in special circumstances such licences may be extended by three months.
- (iv) Arrangements should be made for executing S.S.I. Committee's recommendations, as well as for attending to clarifications/appeals, at Headquarters.
- (v) The C.C.I.'s *Ad hoc* Committee should be more fully representative of the concerned technical officers of the Development Wing.
- (vi) To expedite disposal of applications relating to scheduled industries, greater use should be made of Inter-Directorate meetings.
- (vii) Information regarding monetary ceilings for each licensing period should reach all the licensing authorities on the eve of the licensing period.
- (viii) The application forms for the various categories of import licences should be examined with a view to simplifying them.

The Committee has also recommended that :—

- (a) Actual Users' licences should be revalidated upto six months, and CG/HEP licences upto one year, upon request, without requiring the licence holder to produce evidence as to the unavailability of supplies.
- (b) The IVC numbers should be valid for three annual licensing periods.
- (c) As regards non-scheduled industries, the C.C.I. should evolve, on the eve of the licensing period, the general criteria for assessing essentiality, for the guidance of the Directors of Industries in issuing the Essentiality Certificates.

Recommendation (a) is accepted so far as the period of revalidation is concerned but the revalidation will be subject to the existing conditions and procedures. With regard to recommendation (b), Government consider that I.V.C. period should be valid for two annual periods only. As for recommendation (c) is concerned, the Chief Controller of Imports issues general instructions to the Directors of Industries at the beginning of every licensing period regarding the criteria for assessing essentiality but it will be examined in consultation with the Directors of Industries, how the system could be made more effective.

6. Government accept the following recommendations of the Committee on the decentralisation of licensing work :

- (i) licensing of fresh fruits from Pakistan be decentralised, under a general policy laid down by the Chief Controller;
- (ii) the requirements of the printing industry other than newsprint (e.g. printing machinery etc.) should be dealt with by the C.C.I.'s Ad hoc Committee in the same way as for any other similar item;
- (iii) all cases of investigation now dealt with by the 'newsprint cell', may in future, be handled by the Investigation Division, in consultation with the Registrar of Newspapers whenever necessary.

As regards the licensing of newsprint, greases and lubricants, which the Committee would like to be decentralized, Government propose to maintain the existing system for the time being.

7. Government agree with the Committee that the entire TQR work (Transfer of Quota Rights i.e. recognition of new Established Importers and grant of quotas) should be decentralised. The recommendation will be fully implemented during the course of this year. Government have also decided to appoint Public Relations Officers at the Headquarters and the regional offices of the C.C.I. & E., as recommended by the Committee.

8. The Committee is generally satisfied with the existing policy and procedure regarding grant of licences to established importers and small value licences, but has recommended certain modifications. Government accept these in principle.

9. The Committee has made certain recommendations in regard to the publication by the Development Wing of an annual register indicating the indigenous availability of raw materials, components and equipment, the import control organisation, investigation into import control cases and the ICT and ITC classification. These are under examination. The Committee's view that *ad hoc* licensing should be minimised in principle, and efforts will be made to evolve procedures for dealing with items subject to *ad hoc* licensing. Government also accept the Committee's recommendations for the creation of separate sections to deal with appeals at regional licensing offices and a Legal Cell at the Headquarters.

10. The Committee has observed that the task of doubling the country's exports by the end of the Fourth Plan will call for much more than ordinary efforts. The whole nation will have to crusade for the export markets—not only in the traditional lines but along the entire front of exportable products. The Committee feels that the country has touched only the fringe of the export problem. It recommends that an annual export plan should be drawn up, with industrywise and commodity-wise targets properly dovetailed with the plans and projects of development in the public and the private sectors. The Committee lays equal stress on both assistance to export industries and a rigorous enforcement of all promises to export. While emphasising the role of the State Government and the business community in this matter, the Committee observes that Government also has the responsibility to make the export business worth while for the trade through selective concessions, fiscal reliefs and other incentives. In the opinion of the Committee, the incentives so far given, have been only moderate and indeed often ineffective, and a bolder policy of aids and incentives is needed. The Committee suggests that an effective co-ordinating machinery should be set up at the Centre, in addition to implementing the proposals to strengthen the Directorate of Export Promotion and a Policy Cell should be created in that Directorate.

11. The Committee recommends the following aids and incentives to exports :

- (i) One of the most effective aids is to permit increased allocations of raw materials to industry, through additional imports. If internal allocations of foreign exchange do not allow of imports of marginally needed materials, components and equipment, certain case studies should be put to friendly countries to secure further assistance.
- (ii) A revolving fund to be called Import-Export Stabilisation Fund and administered by an autonomous body, should be set up to finance such additional imports.
- (iii) Offers by foreign firms to finance imports of raw materials required by Indian export industries against rupee payment should be considered.

- (iv) A three-fold system of income-tax remission should be introduced, viz.
 - (a) a tax remission on profits on basic exports,
 - (b) a tax rebate to enable the exporter to build an Export Development Reserve, and
 - (c) a special tax remission on additional exports.
- (v) It is not necessary to resort to currency retention. Instead, the scope of the present Export Promotion Schemes should be widened to cover all exports. The exporter/manufacturer should be permitted to use the incentive licence to import a much wider range of raw materials, components and equipment for the manufacture of the export product and if the imported commodities are not required for a particular industry, they may be allowed to be sold to a sister industry. These concessions should be open to exporters as well as manufacturers, though the entitlement of the mere exporter (or the manufacturer who does not intend to use the stores himself) may be only two-thirds of that of the manufacturer/exporter.
- (vi) The Railways should grant a general rebate of 25 per cent on all goods put on board.
- (vii) The special difficulties confronting certain export industries should be removed and in this connection the cases of tea, coffee and marine products have been mentioned.
- (viii) A tariff of drawbacks should be drawn up for all, or at least the more important, items of export and the exporter claiming the drawback should be required merely to produce evidence of export and receipt of the right amount of foreign exchange.
- (ix) The Central Government should assume the responsibility for the remission of the sales tax entering into export costs; a uniform rebate of say 2 per cent should be granted.
- (x) The drawback of import duties, excise duties and sales taxes should be given at one central point, e.g. the Collector of Customs.
- (xi) Leaders of industry and trade should be induced to levy a small cess on products sold for domestic consumption, utilising the profits for subsidising exports. The Committee is not in favour of compulsory exports.

12. While Government agree that a comprehensive programme to deal with the various aspects of export promotion is needed, the specific measures recommended by the Committee require detailed examination and Government's decisions will be announced separately at an early date.

13. The Committee has made a number of other suggestions and recommendations for consideration of Government on participation in international fairs, liaison with Indian merchants abroad, the role of Chambers of Commerce, tourism, rupee payment arrangements, state trading, barter trade, quality control, the Directory of Exporters, India's commercial representation abroad, export risk guarantees, the additional staff required by the office of the C.C.I. & E., the desirability of interchange of staff between that office, the Directorate of Export Promotion and C.B.R. Government have taken note of the Committee's suggestions on these matters and appropriate action will be taken to the extent practicable in consultation with all concerned.

14. Government wish to place on record their high appreciation of the valuable work done by the Committee.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

D. S. JOSHI, Addl. Secy.